



FY2012 Performance and Accountability Report

**Montgomery County
Department of Finance**





Montgomery County Department of Finance

FY2012 Performance and Accountability Report



FIN Alignment to County Priority Objectives

Montgomery County Priority Objectives

- A Responsive and Accountable Government
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- A Strong and Vibrant Economy
- Vital Living for All of Our Residents

FIN Headline Performance Dashboard

<u>Headline Performance Measure</u>	<u>FY11 Results</u>	<u>FY12 Results</u>	<u>Performance Change</u>
Bond Rating - Rating given to Montgomery County by Fitch (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	↔
Bond Rating - Rating given to Montgomery County by Moody's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	↔
Bond Rating - Rating given to Montgomery County by Standard & Poor's (Bond ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition)	AAA	AAA	↔
Interest Rate - Montgomery County General Obligation Bond true interest cost (The interest rate of Montgomery County's most common type of bond)	2.26%	3.23%	↔
Interest Rate Benchmarking – County GO vs. Municipal Market Data Index (basis point spread)	14	14	↔
Investment return - Rate of return on Montgomery County's investments	0.10%	0.20%	↔
Investment Return Benchmarking – County Return vs. S&P Local Government Investment Pool Index (basis point spread)	10	4	↔
Revenue forecasting - Percent variance between actual revenue and projected revenue	-2.30%	1.20%	↑
Workers Compensation—Cost per \$100 of payroll	\$3.12	\$3.05	↔
Workers Compensation—Number of cases resulting in lost work time	512	490	↔



Montgomery County Department of Finance

FY2012 Performance and Accountability Report



FIN At A Glance

What Department Does and for Whom	How Much / How Many
<p>Overall Departmental Function: The mission of the Department of Finance is to prudently manage financial operations, recommend and implement sound fiscal policies, safeguard public assets, and encourage a safe environment on public property.</p>	<p>Total: \$58,965,890</p> <p>Total: 108.1 WYs</p> <p>Total Employees: 116</p>
<p>Major Function #1A: Sound Financial Mgt: Policy</p> <ul style="list-style-type: none">• Develop and promulgate fiscal policies; advise departments, the County Executive, and County Council on a wide range of fiscal matters• Provide regular financial reports, revenue updates, & economic updates	<p>Budget: \$5,682,190</p> <p>Work Years: 38.3</p> <p>Prepared 39 Economic Impact Statements & Monthly & Quarterly Economic Forecasts</p> <p>Developed revenue forecasts in support of operating and capital budgets.</p>
<p>Major Function #1B: Sound Financial Mgt: Debt</p> <ul style="list-style-type: none">• Maintain the County's AAA GO bond rating• Obtain the most advantageous market rates for all County debt issues• Identify and implement debt refunding opportunities	<p>Managed over \$2.5 billion in long term debt and \$500 million in commercial paper</p> <p>Issued \$438.4M in new debt, refunded \$280.4M; and issued \$356M in commercial paper</p> <p>Produced Refunding Debt Savings of \$28.6M</p>
<p>Major Function #1C: Sound Financial Mgt: Transactions</p> <ul style="list-style-type: none">• Manage the County's revenues, expenditures, assets, investments, and outstanding debt• Provide regular financial reports including the CAFR	<p>Produced CAFR, Report on Expenditures of Federal Awards, and Annual Info Statement</p> <p>Received the FY11 GFOA certificate for the CAFR</p> <p>Managed nearly \$700 million in average daily cash balance in bank accounts & investments</p>



Montgomery County Department of Finance FY2012 Performance and Accountability Report



FIN At A Glance (cont.)

What Department Does and for Whom	How Much/How Many
<p>Major Function #4: Customer Service</p> <p>Provide services to external and internal customers such as taxpayers, vendors, and employees through processing payments and receivables, answering customer inquiries and providing proactive communications to the Public and within the Government</p>	<p>Budget: \$4,667,410 Work Years: 42.8</p> <p>Bill 362,173 property tax accounts, collecting \$1.4 billion in property tax revenue</p> <p>Respond to and close 3,018 MC311 Service Requests</p> <p>Process 73,500 transfer office transactions; 42,816 cashier transactions; 111,000 vendor payments; 261,785 paychecks; Mail 27,000 delinquency notices</p>
<p>Major Function #5: Promote a Safe and Healthy Work Environment</p> <p>Ensure the safety of our employees, volunteers, and visitors through the promotion of a safe and healthy work environment for County employees</p>	<p>Budget: \$48,606,290 Work Years: 27.0</p> <p>Conduct 125 training classes</p> <p>Review 234 self-inspection reports</p> <p>Review 7,459 contracts for adequate insurance coverage</p>



Montgomery County Department of Finance

FY2012 Performance and Accountability Report



Headline Performance Measure 1: Bond Ratings (Fitch, Moodys, Standard & Poors) Bond Ratings are a measure of the quality and safety of a bond and are based on the issuer's financial condition.

Performance Trends

	Results				Projections	
	FY10	FY11	FY12	FY13	FY14	FY15
Fitch	AAA				AAA	
Moody's						
Standard & Poor's						

Factors Contributing to Current Performance

- Sound financial management and reputation
- Multi-year fiscal planning
- Stability in the bond markets
- Demand for high quality municipal bonds

Factors Restricting Performance Improvement

- Indirect linkage with federal government
- Perceived negative impact of federal budget reductions on local economy & revenues
- Reversion of interest rates to historic norms

Performance Improvement Plan

Continue to collaborate with OMB, DED, and other departments as necessary to prepare rating agency presentations.

Fully use the talent and experience of financial advisors to assess market risk and opportunities especially for refunding debt.

Research and stay current on new tools for providing liquidity facilities (alternatives to commercial paper); bidding bonds; and other developments that could reduce interest and issuance costs.

Monitor and stay current on regulatory changes in the municipal market.

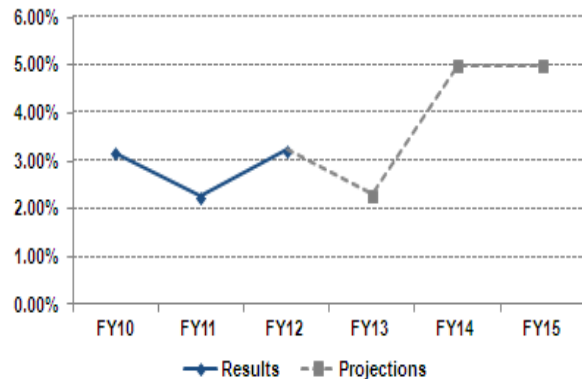


Montgomery County Department of Finance FY2012 Performance and Accountability Report



Headline Performance Measure 2: Interest Rate: True Interest Cost (TIC) for General Obligation bonds (the most common debt instrument used by the County)

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	3.18%	2.26%	3.23%			
Projections				2.3%	5.0%	5.0%

Factors Contributing to Current Performance

- Adoption of enhanced fiscal policies that strengthen reserves, limit use of 1x revenues, and prudent financial policies
- Finance keeps rating agencies apprised of economic and revenue conditions in the County and in the region

Factors Restricting Performance Improvement

- Federal fiscal policies including sequestration and tax increases
- Wage & benefit pressures
- Service demands and expectations
- State legal & policy changes
- Post Retirement funding: ERS & OPEB

Performance Improvement Plan

Maintain relationship with rating agencies with a special focus on Moody's due to negative outlook and revised pension liability assessment.

Continue collaboration with other AAA jurisdictions on approaches to rating agencies.

Monitor federal budget developments and analyze impact of federal fiscal policy and spending changes on the local economy and state and local revenues.

Monitor compliance with existing fiscal policies with a special focus on OPEB funding and use of one time revenues. A working definition of one time revenues and how they are applied to the budget needs to be developed.

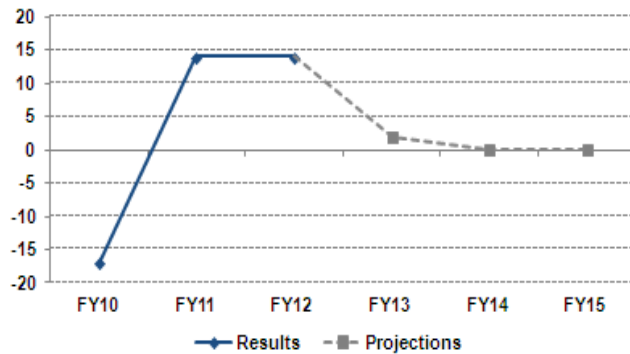


Montgomery County Department of Finance FY2012 Performance and Accountability Report



Headline Measure 3: Interest rate benchmarking: County GO vs. Municipal Market Data index (basis point spread)

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	-17	14	14			
Projections				2	0	0

Factors Contributing to Current Performance

- Sound financial management and reputation
- Multi-year fiscal planning
- Stability in the bond markets
- Demand for high quality municipal bonds

Factors Restricting Performance Improvement

- Indirect linkage with federal government
- Perceived negative impact of federal budget reductions on local economy and revenues

Performance Improvement Plan

Continue to collaborate with OMB, DED, and other departments as necessary to prepare rating agency presentations.

Fully use the talent and experience of financial advisors to assess market risk and opportunities especially for refunding debt.

Research and stay current on new tools for providing liquidity facilities (alternatives to commercial paper); bidding bonds; and other developments that could reduce interest and issuance costs.

Monitor and stay current on regulatory changes in the municipal market.

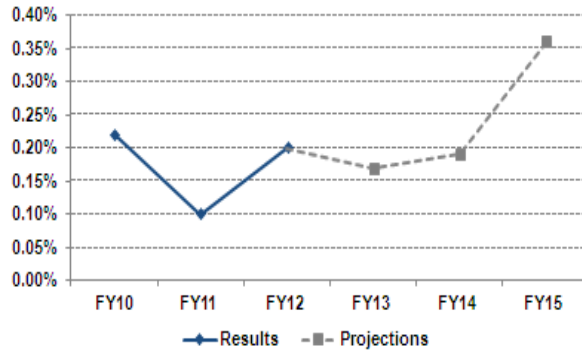


Montgomery County Department of Finance FY2012 Performance and Accountability Report



Headline Measure 4: Investment Return: Rate of return on Montgomery County's investments

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	0.22 %	0.10%	0.20%			
Projections				0.17%	0.19%	0.36%

Factors Contributing to Current Performance

- Active management of the County's portfolio
- Access to CDARS investment pool
- Access to quality, timely market information
- Enhanced staffing for investment management

Factors Restricting Performance Improvement

- Current low yield available in short term market
- Need to maintain high bank balances for liquidity and to avoid fees

Performance Improvement Plan

Continue to monitor market opportunities to identify higher yielding and legally permitted investments.

Refine annual Cash flow budget to better manage and allocate to investment pool.

Update Investment Policy to provide greater flexibility, manage risks, and align with current market environment.

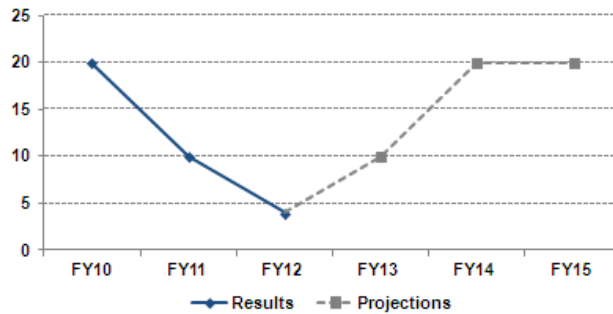


Montgomery County Department of Finance FY2012 Performance and Accountability Report



Headline Measure 5: Investment Return Benchmarking: County Return vs. S&P Local Government Investment Pool Index (basis point spread)

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	20	10	4			
Projections				10	20	20

Factors Contributing to Current Performance

- Active management of the County's portfolio
- Access to CDARS investment pool.
- Access to quality, timely market information
- Enhanced staffing for investment management

Factors Restricting Performance Improvement

- Current low yield available in short term market
- Need to maintain high bank balances for liquidity and to avoid fees

Performance Improvement Plan

Continue to monitor market opportunities to identify higher yielding and legally permitted investments.

Refine annual Cash flow budget to better manage and allocate to investment pool.

Update Investment Policy to provide greater flexibility, manage risks, and align with current market environment.

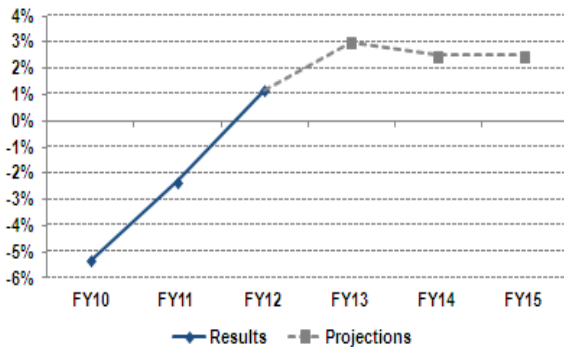


Montgomery County Department of Finance FY2012 Performance and Accountability Report



Headline Measure 6: Revenue Forecasting: Percent Variance between actual revenue and projected revenue

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	-5.3%	-2.3%	1.2%			
Projections				3.0%	2.5%	2.5%

Factors Contributing to Current Performance

- Analyze additional data for independent & comprehensive forecast of key economic indicators
- Perform quarterly budget surveillance
- Monitor revenue sources
- Monitor changes to federal, state and local tax policies

Factors Restricting Performance Improvement

- Unanticipated changes in:
 - regional, national economic, & world economic and financial activity;
 - federal procurement and employment;
 - County, federal and state tax and expenditure policies

Performance Improvement Plan

Continue to identify sources of supplementary information, such as additional detail on income taxes from the State Comptroller, real estate transactions, energy consumption patterns, and other economic topics that can help improve understanding of revenue distributions and add to the accuracy of future revenue projections.

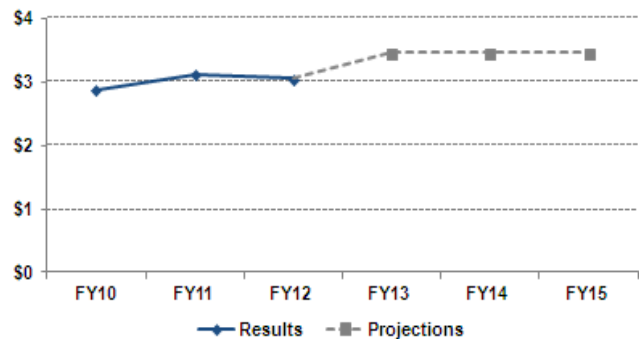


Montgomery County Department of Finance FY2012 Performance and Accountability Report



Headline Measure 7: Workers Compensation: Cost per \$100 of payroll

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	\$2.87	\$3.12	\$3.05			
Projections				\$3.46	\$3.46	\$3.46

Factors Contributing to Current Performance

- New third party claims administrator is improving response time and providing analytical data on claims to address problems earlier
- Cost containment programs including pharmacy benefit manager, physician network, and nurse case manager

Factors Restricting Performance Improvement

- Collective bargaining agreements, state laws, and practices which encourage litigation, permit extended absence from work and make cooperation with cost containment programs voluntary for employees

Performance Improvement Plan

Continue work of Public Safety workgroup to:

- Monitor third party claims administrator performance and responsiveness;
- Monitor and analyze the trend in annual hours in leave related to workers' compensation claims, with an emphasis on greater work attendance accountability;
- Monitor and analyze the overtime costs related to backfilling employees on work-related disability;
- Review options for prosecuting cases in the event of a determination of a fraudulent claims;
- Identify legislative and bargaining contract amendments that would improve the cost effectiveness and sustainability of the workers' compensation program in the County; and
- Mandatory supervisor/manager training on absence management.

Continue Discussions with IAFF on mandatory use of County's costs containment programs including nurse case manager, physician network, and pharmacy benefit manager.

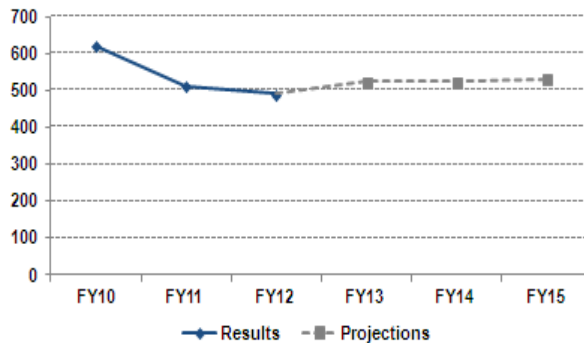


Montgomery County Department of Finance FY2012 Performance and Accountability Report



Headline Measure 8: Workers Compensation: Number of cases resulting in lost work time

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	622	512	490			
Projections				525	525	530

Factors Contributing to Current Performance

- New third party claims administrator is improving response time and providing analytical data on claims to address problems earlier
- Cost containment programs including pharmacy benefit manager, physician network, and nurse case manager

Factors Restricting Performance Improvement

- Collective bargaining agreements, state laws, and practices which encourage litigation, permit extended absence from work and make cooperation with cost containment programs voluntary for employees

Performance Improvement Plan

Continue work of Public Safety workgroup to:

- Monitor third party claims administrator performance and responsiveness;
- Monitor and analyze the trend in annual hours in leave related to workers' compensation claims, with an emphasis on greater work attendance accountability;
- Monitor and analyze the overtime costs related to backfilling employees on work-related disability;
- Review options for prosecuting cases in the event of a determination of a fraudulent claims;
- Identify legislative and bargaining contract amendments that would improve the cost effectiveness and sustainability of the workers' compensation program in the County; and
- Mandatory supervisor/manager training on absence management.

Continue Discussions with IAFF on mandatory use of County's costs containment programs including nurse case manager; physician network; and pharmacy benefit manager.



Montgomery County Department of Finance

FY2012 Performance and Accountability Report



Responsive and Sustainable Leadership:

Responsive and Sustainable Leadership has been the cornerstone of the County Executive's vision for Montgomery County government. To advance this vision, we have identified eight overarching goals for all County departments:

1) Effective and Productive Use of the Workforce/Resources:

Department actively works to effectively and productively use its workforce/resources, including, but not limited to, better management of overtime, implementation of productivity improvements, reduction of ongoing costs, and efficient use of other resources.

- a) *119.8% increase in average overtime hours used by all approved positions. Increase primarily due to producing CAFR with the ERP system for the first time.
(Source: Department provides and CountyStat validates)*
- b) *XX% increase/decrease in average Net Annual Work hours worked by all approved positions
(Source: data/information not available yet)*

2) Internal Controls and Risk Management:

Department actively assesses its internal control strengths, weaknesses, and risks regarding compliance with laws, regulations policies and stewardship over County assets. Department reviews and implements Internal Audit recommendations in a systematic and timely manner, and proactively manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation.

- a) *100% of 7 Audit report recommendations were fully implemented since issuance of the audit report
(Source: Internal Audit will provide to CountyStat)*
- b) *N/A – No work related injuries in FY11 or FY12.*



Montgomery County Department of Finance FY2012 Performance and Accountability Report



3) Succession Planning:

Department actively plans for changes in its workforce, in order to maintain continuity of services, develop staff capabilities, maintain and/or transfer knowledge, and enhance performance.

a) *List all the key positions/functions in your department that require succession planning*

- Chief Operating Officer
- Debt Manager
- Chief, Division of Risk Management
- Controller
- General Accounting Manager
- Investment Manager

b) *0% of those identified key position/functions have developed and implemented long-term succession planning (Source: Department)*

Finance will work with OHR during FY13 to develop long term succession plans.

4) Mandatory Employee Training:

Department systematically monitors and actively enforces employees' mandatory and/or required trainings.

61 % of department's employees who have fulfilled mandatory County/State/Federal training requirements (Source: Department)



Montgomery County Department of Finance FY2012 Performance and Accountability Report



5) Workforce Diversity and MFD Procurement:

Department actively participates in the recruitment of a diverse workforce and enforcement of MFD procurement requirements.

*Workforce Diversity: refer to or attach summary yearly report prepared by OHR
(Source: Department provides and CountyStat validates)*

	African Amer	Native Amer	White	Asian	Hispanic	Other
FINANCE	20%	1%	42%	28%	6%	3%

MFD Procurement:

Finance awarded 28 actions (32.18% of total actions) and \$3,609,314 (30.74% of total dollars) to MFD Firms.

(Source: Department provides and CountyStat validates) ([Link](#) to report)

6) Innovations:

Department actively seeks out and tests innovative new approaches, processes and technologies in a quantifiable, lean, entrepreneurial manner to improve performance and productivity.

Total number of innovative ideas/project currently in pipeline for your department, including the ones initiated in coordination with the Montgomery County Innovation Program.

- Developed a web based program to automate Bi-Weekly Take Home Vehicle Logs for Tax Reporting and Reimbursement
- Developing a program to track all County volunteers for risk management purposes.
- Developing a revised property tax billing system to replace an outdated, undocumented, vulnerable system. This involves the automation of several previously manual processes.
- Actively collaborating with other County departments (DPS, DHCA, DLC) to implement advanced payment and banking solutions including deposit on site; credit card payments; & automated check processing.
- Working with OHR & OCA to implement paycard solution for employees not on direct deposit and paying employee reimbursements with direct deposit rather than a paper check.

Expected (or achieved) return on investment for each of those innovative ideas/projects, quantified in terms of at least one of the following measures: increased effectiveness/efficiency, cost savings/avoidance, increased transparency/accountability, or increased customer satisfaction.

These metrics will be developed during FY13.



Montgomery County Department of Finance FY2012 Performance and Accountability Report



7) Collaborations and Partnerships:

Department actively participates in collaborations and partnerships with other departments to improve results beyond the scope of its own performance measures. Please only list accomplishments that had positive results for other department(s) as well.

a) Total \$\$ saved by through collaborations and partnerships with other departments

\$28.6 Million in debt refunding savings for GO, Metrorail, & Bethesda Parking District

b) List your accomplishments and/or expected results (Source: Department)

- *Refunding GO Bonds, Metrorail Revenue Bonds, & Bethesda Parking District Debt conserved the resources of the affected funds.*
- *Reviewing WQPF Hardship exemptions for DEP will allow DEP program staff to focus on water quality duties*
- *Partnering with the State on the Homestead Credit compliance program saved State staff time and identified new revenues for the County*
- *Collaborating with DEP on Solar Energy exemptions for fuel energy tax will support clean energy development (Will result in revenue loss, but support production of clean energy)*
- *Working with DGS to identify innovative financing for HHS facility to reduce energy consumption and utility costs (Will either be cost neutral or result in net savings depending on interest rates obtained through competitive process)*

8) Environmental Stewardship:

Department actively makes appropriate changes to workplace operations, workflow, employee behavior, equipment use, and public interactions to increase energy-efficiency, reduce its environmental footprint, and implement other environmentally responsible practices.

a) 1% increase in print and mail expenditures

(Source: CountyStat)

b) 5% increase in paper purchases (measured in total sheets of paper)

(Source: CountyStat)

c) List your accomplishments and/or expected results

- *Reduced bi-weekly paper submissions of Take Home Vehicle Tracking Logs*
- *Automated W2s*
- *Direct Deposit of Employee Reimbursements and Paycards for "unbanked" employees*